

**NSC BRIEFING**

**20 August 1958**

**IRAN AND OTHER MIDDLE EAST DEVELOPMENTS**

- I. Situation in Iran (discussed last week) has apparently been aggravated by widespread rumors of the arrest of military and civilian figures**



- A. We cannot yet confirm these reports, but some of them probably true**
- B. Whether true or not, atmosphere of great uneasiness has developed in Tehran.**
- C. By permitting the growth of such an atmosphere the Shah may be creating the unstable situation which he is seeking to avoid.**
  - 1. Army morale is being damaged. The reported arrests suggest dissatisfaction and possibly disputes among the senior officers; which add to the discontent of many of the junior officers.**
  - 2. Difficult for govt to function regularly in prevailing mood of extreme suspicion.**
  - 3. Dissatisfied elements in Tehran, interpreting these events as evidence of the Shah's weakness, may soon be ready to follow any recognized leader bold enough to assert himself.**

- II. Saudi Crown Prince Faysal returned home 19 Aug after 4-day talk with Nasir.**

- A. Non-committal communique spoke of renewed ties of friendship, but was innocent of real substance.**

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**B. We continue feel these talks leading to more than just repairing the breach between Saudi Arabia and UAR and that they are probably aimed at reconstructing the Arab League into an alliance of Arab states adhering to Nasir's foreign policy line.**

**1. Yemeni Crown Prince Badr arrived Cairo again on 20 Aug.**

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**2. Arab League Political Committee scheduled meet 6 Sept.**

**A. Syrian economic policy board announced this week it will seek increased income from pipelines from Iraq and Saudi Arabia which cross Syria to Mediterranean. This move forecast last week**

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**when we noted new Syrian budget has whopping deficit.**

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**C. Israel still keeping powder very dry in anticipation trouble in Jordan.**

**2. UAR claims Israeli patrols have resumed probing across armistice line in Gaza area and in Sinai Peninsula.**

**3. Reports on Israeli Air Force Day exercises last week indicate Israelis still look very good indeed in the air, although Arab equipment is superior in some categories.**

**V/. The UAR and the Soviet Bloc appear to be trying to counter the impact of the American proposal for regional economic development in the Middle East by giving more publicity to the delivery of Soviet equipment to the UAR.**

**A. The Cairo and Damascus press, plus Warsaw radio, have announced that a "fleet" of 25 Soviet ships is due to deliver "full equipment for many factories" to the Egyptian port of Alexandria shortly.**

**B. Actual fact is less dramatic -- Moscow and Cairo now have concluded contracts for most of the 65 projects to be carried out by the Soviet Union under the \$175,000,000 credit extended to Egypt under an economic and technical cooperation agreement signed last January.**

**C. Deliveries of equipment--primarily for Egyptian metallurgical, mining and petroleum development--will probably start next month and continue possibly over several years.**

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